

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Green, Social and Sustainability Bonds Framework

Banco BPM Group  
6 November 2023

### VERIFICATION PARAMETERS

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Type(s) of instruments contemplated

- Green, Social and Sustainability Bonds

Relevant standards

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
- Social Bond Principles (SBP), as administered by the International Capital Market Association (ICMA) (as of June 2023)
- Sustainability Bond Guidelines (SBG), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
- EU Taxonomy Climate Delegated Act (as of June 2023)

Scope of verification

- Banco BPM Green, Social and Sustainability Bonds Framework (as of November 1, 2023)
- Banco BPM Eligibility Criteria (as of November 1, 2023)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as the cited Framework remains unchanged

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## SCOPE OF WORK

Banco BPM Group (“the Issuer” or “Banco BPM”) commissioned ISS Corporate Solutions (ICS) to assist with its Green, Social and Sustainability Bonds by assessing three core elements to determine the sustainability quality of the instruments:

1. Banco BPM’s Green, Social and Sustainability Bonds Framework (as of November 1, 2023) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (June 2021 with June 2022 Appendix 1), Social Bond Principles (June 2023), and Sustainability Bond Guidelines (June 2021 with June 2022 Appendix 1).
2. The Eligibility Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. The alignment of the project categories with the EU Taxonomy on a best-efforts basis<sup>1</sup> – whether the nominated project categories located in Italy are aligned with the EU Taxonomy Technical Screening Criteria (including Substantial Contribution to Climate Change Mitigation Criteria and Do No Significant Harm Criteria) and Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act (June 2023)<sup>2</sup>.
4. Linking the transactions to Banco BPM’s overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) categories.

## BANCO BPM BUSINESS OVERVIEW

Banco BPM SpA operates as a national commercial bank. It is classified in the Commercial Banks & Capital Markets industry, as per ISS ESG’s sector classification.



The firm operates through the following segments: Retail, Corporate, Institutional, Private, Investment Banking, Insurance, Strategic Partnerships, and Corporate Centre. The Retail segment offers the management and marketing of banking and financing services or products and loan brokering to private customers and small businesses. The Corporate segment offers the management and marketing of banking and financing services or products and loan brokering to medium and large-sized companies. The Institutional segment includes the management and marketing of banking and financing services or products and loan brokering to bodies and institutions (UCITs, SICAVs, insurance companies, pension funds and banking foundations). The Private segment includes the management and marketing of banking and financing services or products and loan brokering to private customers with assets. The Investment Banking segment includes activities to structure financial products, access to regulated markets, and support and development of financial services. The Insurance segment includes the contribution of the interests held in Vera Vita, Vera Assicurazioni, Banco BPM Vita and Banco BPM Assicurazioni. The Strategic Partnerships segment includes the contribution of shares held in Agos Ducato, Alba Leasing, SelmaBipiemme Leasing, Gardant Liberty Servicing, and Anima Holding. The Corporate Centre segment includes the portfolio of owned securities, the treasury and the group’s

<sup>1</sup> Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2023, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage, the alignment with the EU Taxonomy has been evaluated on a “best efforts basis”.

<sup>2</sup> Commission Delegated Regulation (EU) 2021/2139 of June 2021, [URL https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139)

asset and liability management, the stock of bond issues placed on institutional markets, the activities relating to the Group's leasing business, equity interests not classified as Strategic Partnerships and companies operating in the real estate sector. Banco BPM was incorporated through the merger of Banco Popolare Soc. Coop. (Banco Popolare) and Banca Popolare di Milano S.c.a r.l. (BPM) on 1 January 2017.

## ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>3</sup>
<p><b>Part 1:</b></p> <p><b>Alignment with GBP, SBP, SBG</b></p>	<p>The Issuer has defined a formal concept for its Green, Social and Sustainability Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines.</p>	<p><b>Aligned</b></p>
<p><b>Part 2:</b></p> <p><b>Sustainability quality of the Eligibility Criteria</b></p>	<p>The Green, Social and Sustainability Bonds will (re)finance eligible asset categories which include:</p> <p>Green categories: Renewable Energy, Green Buildings, Pollution Prevention and Control, Manufacture of Organic Basic Chemicals, Energy Efficiency, Sustainable Water Infrastructure, Low Carbon Transportation, Green Guarantee, and Sustainable Agriculture.</p> <p>Social categories: SMEs financing, Third and Public Sector Financing, Healthcare Financing, Sustainability-Linked Loans to SMEs, Residential Mortgages.</p> <p>Financial service-related use of proceeds categories<sup>4</sup> individually contribute to one or more of the following SDGs:</p>  <p>The Commercial &amp; Residential Green Buildings category (Renovation of existing buildings) improves the operational impacts of Banco BPM’s borrower(s) and mitigate potential negative externalities of their sectors on one or more of the following SDGs:</p> 	<p><b>Positive</b></p>

<sup>3</sup> The evaluation is based on the Banco BPM’s Green, Social & Sustainability Bonds Framework (November 1, 2023 version), on the analysed Eligibility Criteria as received on November 1, 2023, and on the ISS ESG Corporate Rating updated on the December 8, 2022 and applicable at the SPO delivery date.

<sup>4</sup> Renewable Energy, Green Buildings, Pollution Prevention and Control, Manufacture of Organic Basic Chemicals, Energy Efficiency, Sustainable Water Infrastructure, Low Carbon Transportation, Green Guarantee, and Sustainable Agriculture, SMEs financing, Third and Public Sector Financing, Healthcare Financing, Sustainability-Linked Loans to SMEs, Residential Mortgages

	The environmental and social risks associated with those use of proceeds categories are managed.	
<b>Part 3: Alignment with EU Taxonomy</b>	<p>Banco BPM’s project characteristics, due diligence processes and policies have been assessed against the requirements of the EU Taxonomy (Climate Delegated Act of June 2023), on a best-efforts basis<sup>5</sup>. The nominated project categories located in Italy are considered to be:</p> <ul style="list-style-type: none"> <li>▪ Aligned with the Climate Change Mitigation Criteria</li> <li>▪ Aligned with the Do No Significant Harm Criteria</li> <li>▪ Aligned with the Minimum Safeguards requirements</li> </ul>	
<b>Part 4: Linking the transaction(s) to Banco BPM’s ESG profile</b>	<p>The key sustainability objectives and the rationale for issuing Green, Social, and Sustainability Bonds are clearly described by the Issuer. All of the project categories considered are in line with the sustainability objectives of the Issuer.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.</p>	<b>Consistent with Issuer’s sustainability strategy</b>

<sup>5</sup> Whilst the Final Delegated Act for Mitigation and Adaptation was published in June 2023, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage, the alignment with the EU Taxonomy has been evaluated on a "best efforts basis".

## SPO ASSESSMENT

### PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES, SOCIAL BOND PRINCIPLES, AND SUSTAINABILITY BOND GUIDELINES

This section evaluates the alignment of the Banco BPM’s Green, Social and Sustainability Bonds Framework (as of November 1, 2023) with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines.

GBP, SBP, SBG	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by Banco BPM’s Green, Social and Sustainability Bonds Framework is <b>aligned</b> with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines.</p> <p>The Issuer’s green and social categories align with the project categories as proposed by the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. Criteria are defined in a clear and transparent manner. Disclosure of distribution of proceeds by project category is provided and Environmental and social benefits are described. The Issuer defines exclusion criteria for harmful projects categories.</p> <p>The Issuer has also listed explicit exclusion of harmful project categories, including investments connected to fossil fuel, nuclear power generation, the armament sector, tobacco, and gambling.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by Banco BPM’s Green, Social and Sustainability Bonds Framework is <b>aligned</b> with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines (June 2021 with June 2022 Appendix 1).</p> <p>The project selection process is defined. ESG risks associated with the project categories are identified and managed through an appropriate process. The Issuer has also disclosed the intended benefit to the relevant target populations. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer has clearly defined stakeholders involved in the Project Evaluation and Selection process. The Issuer has also identified alignment of the Green, Social, and Sustainability Bond Framework with the EU Taxonomy, in line with best market practice.</p>

<p><b>3. Management of Proceeds</b></p>	<p>✓</p>	<p>The Management of Proceeds proposed by Banco BPM’s Green, Social and Sustainability Bonds Framework is <b>aligned</b> with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines (June 2021 with June 2022 Appendix 1).</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner. The net proceeds are managed per bond on an aggregated basis for multiple Green, Social, and Sustainability Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p>
<p><b>4. Reporting</b></p>	<p>✓</p>	<p>The allocation and impact reporting proposed by Banco BPM’s Green, Social and Sustainability Bonds Framework is <b>aligned</b> with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines (June 2021 with June 2022 Appendix 1).</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. Banco BPM explains the level of expected reporting and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the bond matures.</p> <p>The Issuer has also committed to publish both the allocation and impact reporting annually until the bond matures.</p> <p>The Issuer is transparent on the level of impact reporting, the type of information reported, frequency in impact reporting, the scope, and the duration, in line with best market practice.</p>



## PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

### A. CONTRIBUTION OF THE GREEN, SOCIAL AND SUSTAINABILITY BONDS TO THE UN SDGs<sup>6</sup>

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.

#### **Products and services**


The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



Each of the Green, Social and Sustainability Bonds' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

#### **GREEN CATEGORIES**

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Commercial &amp; Residential Green Buildings</b></p> <p><i>Acquisition and ownership of buildings:</i></p> <ul style="list-style-type: none"> <li>▪ <i>For buildings built before 31/12/2020, the building has at least an Energy Performance Certificate (EPC) class A. Alternatively, it is within the top 15% of the Italian building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence</i></li> <li>▪ <i>For buildings built after 31/12/2020, the building meets the EUT 7.1 criteria that are relevant at the time of the acquisition</i></li> <li>▪ <i>For buildings built before 31/12//2020, loans to finance acquisition of new or existing residential housing aligned with</i></li> </ul>	<b>Contribution</b>	

<sup>6</sup> The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

current environmental regulation and within the top 15% of the Italian building stock in Italy of the most carbon efficient buildings (kg CO<sub>2</sub>e/sqm)<sup>7</sup> and demonstrated by adequate evidence<sup>8</sup>

### Commercial Green Buildings

For new construction (EUT 7.1)

- The Primary Energy Demand (PED), defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures. The energy performance is certified using an as built Energy Performance Certificate (EPC).

For buildings larger than 5,000 m<sup>2</sup>:

- Air-tightness and thermal integrity testing with any deviation in the levels of performance set at design stage/defects in the building envelope disclosed to investors /clients or demonstration that robust and traceable quality control processes were in place during the construction process
- Life-cycle Global Warming Potential (GWP) calculated for each stage in the life cycle and disclosed to investors and clients on demand

For acquisition and ownership of buildings (EUT 7.7):

- Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290kW) it is efficiently operated through energy performance monitoring and assessment.

### Contribution



<sup>7</sup> The definition of the top 15% of the most carbon efficient buildings varies over time and location depending on the energy performance and on the year of construction of existing building stock. The analysis provided by CRIF to the residential real estate in Italy as of [December 2019], in order to specify the eligibility criteria implemented by Banco BPM is available at <https://gruppo.bancobpm.it/sostenibilita/>

<sup>8</sup> The definition of the top 15% of the most carbon efficient buildings varies over time and location depending on the energy performance and on the year of construction of existing building stock. The analysis provided by CRIF to the residential real estate in Italy as of [December 2019], in order to specify the eligibility criteria implemented by Banco BPM is available at <https://gruppo.bancobpm.it/sostenibilita/>

**Residential & Commercial Green Buildings**

*New construction or acquisition, or renovation and ownership of buildings*

- *Loans to finance the construction or acquisition, or renovation of residential buildings which have received at least one (or more) of the following classifications<sup>9</sup>:*
  - *LEED “Gold” or above*
  - *BREAM “Very Good” or above*
  - *HQE “Excellent” or above*

**Contribution**



**Residential & Commercial Green Buildings**

*For construction of new buildings only:*

- *The building has an Energy Performance Certificate (EPC) class A*

**Contribution**



**Renewable Energies**




*Loans to finance the construction, acquisition, development, and maintenance of facilities generating and/or distributing energy from renewable sources such as:*

- *Solar energy (EUT 4.1): Solar energy Photovoltaics (PV)*
- *Wind energy (EUT 4.3): Onshore and offshore wind energy generation facilities*
- *Geothermal energy: Geothermal power plants and geothermal heating/cooling systems (limited to direct emissions of ≤ 100g CO2e/kWh)*
- *Electricity transmission and distribution infrastructure (limited to infrastructure with an average grid emission factor below the threshold 100gCO2e/kW over a rolling five-year average period). The life-cycle GHG emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ISO*

**Contribution**



<sup>9</sup> ISS ESG assessment is based on the listed standards/labels that the Issuer added in the Framework and that we are not able to assess labels not specified in the list

<p>14067:2018<sup>10</sup>, ISO 14064-1:2018<sup>11</sup> or the G-res tool<sup>12</sup></p>	<p style="text-align: center;"><b>Contribution</b></p>	
<p><b>Renewable Energy</b></p> <ul style="list-style-type: none"> <li>Hydro power (EUT 4.5) Acquisition, construction, upgrade and refurbishment of hydro power plants with a power density above 5 W/m<sup>2</sup> or operating at life cycle emissions lower than 100gCO<sub>2</sub>e/kW. The life-cycle GHG emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018<sup>13</sup>, ISO 14064-1:2018<sup>14</sup> or the G-res tool<sup>15</sup></li> </ul>		
<p><b>Renewable Energy</b></p> <ul style="list-style-type: none"> <li>Bio energy (EUT 4.8): Facilities producing energy<sup>16</sup> such as biofuel preparation, pre-treatment and bio-refinery facilities (limited to facilities operating above 80% of GHG emissions-reduction in relation to the relative fossil fuel comparator)</li> </ul>		
<p><b>Energy Efficiency</b></p> <p>Loans to finance the development and distribution of and/or upgrades to equipment or technology such as:</p> <ul style="list-style-type: none"> <li>Energy storage for solar, wind, hydropower, bioenergy</li> <li>Efficient LED lighting appliances and systems</li> </ul>	<p style="text-align: center;"><b>Contribution</b></p>	

<sup>10</sup> ISO standard 14067:2018, Greenhouse gases — Carbon footprint of products — Requirements and guidelines for quantification (version of 4.6.2021: <https://www.iso.org/standard/71206.html>).

<sup>11</sup> ISO standard 14064-1:2018, Greenhouse gases — Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals (version of 4.6.2021: <https://www.iso.org/standard/66453.html>).

<sup>12</sup> Publicly available online tool developed by the International Hydropower Association (IHA) in collaboration with the UNESCO Chair for Global Environmental Change (version of 4.6.2021: <https://www.hydropower.org/gres>).

<sup>13</sup> ISO standard 14067:2018, Greenhouse gases — Carbon footprint of products — Requirements and guidelines for quantification (version of 4.6.2021: <https://www.iso.org/standard/71206.html>).

<sup>14</sup> ISO standard 14064-1:2018, Greenhouse gases — Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals (version of 4.6.2021: <https://www.iso.org/standard/66453.html>).

<sup>15</sup> Publicly available online tool developed by the International Hydropower Association (IHA) in collaboration with the UNESCO Chair for Global Environmental Change (version of 4.6.2021: <https://www.hydropower.org/gres>).

<sup>16</sup> With feedstocks:

- not originated from fields resulting reconverted carbon sinks (such as forests, marshy areas)
- not originated from high diversity fields (such as primary forests)
- not suitable for human consumption

- District heating and cooling<sup>17</sup> from geothermal, biomass, and biomethane energy source

**Energy Efficiency**

Loans to finance the development and distribution of and/or upgrades to equipment or technology such as:

- Smart grid<sup>18</sup>

**Pollution Prevention and Control**

Loans to finance the development, construction, maintenance or consulting and advisory of waste management activities that contribute to the reduction of GHG emission with intensive waste treatment systems, such as waste prevention and waste reduction

**Pollution Prevention and Control**

Loans to finance the development, construction and maintenance of waste management activities that contribute to the reduction of GHG emission intensive waste treatment systems, such as:

- Waste recycling

**Manufacture of organic basic chemicals**

(High value chemicals (HVC); Aromatics, vinyl chloride; styrene; ethylene oxide; monoethylene glycol; adipic acid) aligned with the SCC or the full criteria of the activity 3.14 of the EU Taxonomy for Climate Change mitigation

**Sustainable Water Infrastructure**

Loans to finance the development, construction and maintenance of water infrastructures that contribute to GHG emissions savings through low specific energy consumption in the water collection, treatment and supply system

**Low Carbon Transportation**

Loans financing public land transport and clean transportation loans such as:



<sup>17</sup> Limited to district heating and cooling systems using at least 50% renewable energy ([geothermal, biomass energy, and biomethane energy source](#)) or 50% waste heat or 75% cogenerated heat or 50% of a combination of such energy and heat. (i) Uncertified wood based biomass and (ii) food based biomass are excluded.

<sup>18</sup> Including (i) smart meters (ii) smart thermostat systems and (ii) Building Management Systems (BMS) and Energy Management Systems (EMS)

- *Commercial and passenger's electric vehicles (e.g., truck fleets, automobiles, charging infrastructure)*
- *Sea and coastal or inland freight or passenger water transport, vessels for port operations and auxiliary activities: green shipping with low carbon emissions / retrofitting:*
  - *The vessels have zero direct (tailpipe) CO2 emissions or,*
  - *until 31 December 2025, hybrid and dual fuel vessels derive at least 50% of their energy from zero direct (tailpipe) CO2 emission fuels or plug-in power for their normal operation*



**Low Carbon Transportation**

*Loans financing public land transport and clean transportation loans such as:*

- *Public transport (e.g., electric or biofuels subways, trains, trams, electric buses), including: infrastructure (e.g. rail networks, station upgrade: electric/electrifying infrastructures or urban and suburban public passenger transport only) and non-diesel rolling stock (excluding fossil fuel transportation)*
- *Infrastructures for sea and coastal or inland freight or passenger water transport, vessels for port operations and auxiliary activities: Green shipping with low carbon emissions / retrofitting:*
  - *The infrastructure is dedicated to the operation of vessels with zero direct (tailpipe) CO2 emissions: electricity charging, hydrogen-based refuelling; or*
  - *The infrastructure is dedicated to the provision of shore-side electrical power to vessels at berth; or*
  - *the infrastructure is dedicated to the performance of the port's own operations with zero direct (tailpipe) CO2 emissions; or*
  - *The infrastructure and installations are dedicated to transshipping freight*

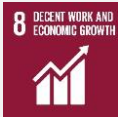



**Contribution**



<p><i>between the modes: terminal infrastructure and superstructures for loading, unloading and transshipment of goods</i></p>		
<p><b>Green Guarantee</b></p> <ul style="list-style-type: none"> <li>SACE's green guarantee with clear eligibility criteria<sup>19</sup></li> </ul>	<p><b>Contribution</b></p>	
<p><b>Sustainable agriculture</b></p> <p><i>Loans to finance sustainable agriculture project that need to comply with at least one of the following criteria:</i></p> <ul style="list-style-type: none"> <li>Projects all organic certifications that are accredited by IFOAM (i.e., EU label, Agriculture Biologique, Demeter etc.)</li> <li>Hydroponic greenhouses</li> </ul>	<p><b>Contribution</b></p>	

<sup>19</sup> For this category, the Issuer is relying on a local program ([the SACE Green Guarantees](#)) aimed at financing Italy's Green New Deal. To be eligible for SACE intervention under the Green New Deal, projects are expected to meet the parameters (eligibility criteria) set out in the European Regulation and taxonomy. We have reviewed the eligibility criteria set by SACE and assessed them as generally providing a contribution to the SDGs highlighted. However, it is worth noting that (i) not all projects financed will contribute to all SDGs (e.g., a solar projects will contribute to SDGs 7 and 13 while wastewater management will contribute to SDG 6), (ii) criteria for some projects would need to be more precisely defined to be considered as having a clear environmental benefit according to our methodology (e.g., interventions to ensure the conservation, restoration and sustainable use of terrestrial freshwater ecosystems) and (iii) there is a lack of visibility on the amount that will be allocated to those projects (without clear environmental benefits).

**SOCIAL CATEGORIES**

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>SMEs</b></p> <p><i>Loans to SMEs<sup>20</sup> that include SMEs located in provinces with a GDP per capita below national average, and/or in areas impacted by natural disasters</i></p> <p><i>Target audience: People working in SMEs to maintain jobs and create capacity for new jobs</i></p>	<p><b>Contribution</b></p>	
<p><b>SMEs</b></p> <p><i>Loans granted to SMEs with the Government Guarantee to help borrowers to fight difficulties due to the emergency due to the Covid – 19 global pandemic</i></p> <p><i>Target audience: People working in SMEs to maintain jobs and create capacity for new jobs</i></p>		
<p><b>Third and Public Sector<sup>21</sup></b></p> <p><i>Loans to finance companies partly State-owned (whose financial statements are included in the Government budget) and to the Third Sector (Associations, NGOs, Social enterprises, Social Cooperatives, Foundations etc.)<sup>22</sup> dedicated to financing projects aiming at having a positive social impact on the society in the following sectors:</i></p> <ul style="list-style-type: none"> <li><i>Healthcare and scientific research</i></li> </ul> <p><i>Target audience: People benefitting from positive socio-economic outcomes, including sensitive areas, and youth, elderly and people with disabilities.</i></p>		
<p><b>Third and Public Sector</b></p> <p><i>Loans to finance companies partly State-owned (whose financial statements are included in the Government budget) and to the Third Sector (Associations, NGOs, Social enterprises, Social Cooperatives, Foundations etc.) dedicated to financing projects aiming at having a positive</i></p>		

<sup>20</sup> Small-Medium Enterprises as defined by the European Commission

- <250 employees
- ≤ €50m turnover or ≤ €43m total Balance sheet

<sup>21</sup> For all the categories under “Third and Public Sector” the target audience is: People benefitting from positive socio-economic outcomes, in priority in sensitive areas, and in priority to youth, elderly and people with disabilities.

<sup>22</sup> The companies and entities financed under this framework are selected according to the shareholders’ due diligence policy and the Italian law on Third Sector



social impact on the society in the following sectors:

- Education

**Third and Public Sector**

Loans to finance companies partly State-owned (whose financial statements are included in the Government budget) and to the Third Sector (Associations, NGOs, Social enterprises, Social Cooperatives, Foundations etc.)<sup>23</sup> dedicated to financing projects aiming at having a positive social impact on the society in the following sectors:

- Environmental protection<sup>24</sup>

**Third and Public Sector**

Loans to finance companies partly State-owned (whose financial statements are included in the Government budget) and to the Third Sector (Associations, NGOs, Social enterprises, Social Cooperatives, Foundations etc.)<sup>25</sup> dedicated to financing projects aiming at having a positive social impact on the society in the following sectors:

- Clean transportation<sup>26</sup>

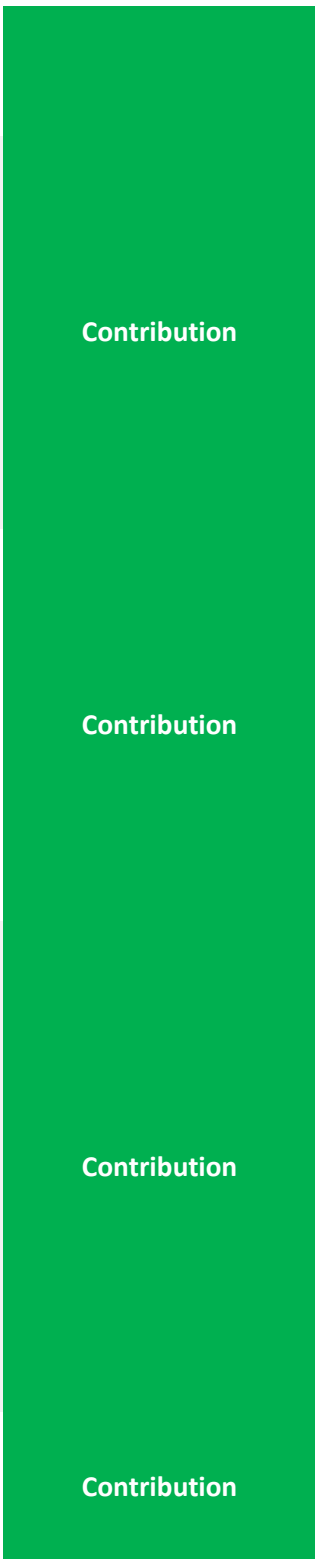
**Third and Public Sector**

Loans to finance companies partly State-owned (whose financial statements are included in the Government budget) and to the Third Sector (Associations, NGOs, Social enterprises, Social Cooperatives, Foundations etc.) dedicated to financing projects aiming at having a positive social impact on the society in the following sectors:

- Art, culture and recreational activities (including also amateur sport, touristic activities of social and cultural interest, etc.)

**Third and Public Sector**

Loans to finance companies partly State-owned (whose financial statements are included in the



<sup>23</sup> The companies and entities financed under this framework are selected according to the shareholders' due diligence policy and the Italian law on Third Sector

<sup>24</sup> This category concerns all projects related to environment, such as landscape care and maintenance, educational farms and social agriculture activities, collection, disposal and waste recycling, also employing people with disabilities

<sup>25</sup> The companies and entities financed under this framework are selected according to the shareholders' due diligence policy and the Italian law on Third Sector

<sup>26</sup> Banco BPM finances public entities such as municipalities, consortiums for protection of the environment, regions for the development of clean transportation projects, such as electric trams

Government budget) and to the Third Sector (Associations, NGOs, Social enterprises, Social Cooperatives, Foundations etc.) dedicated to financing projects aiming at having a positive social impact on the society in the following sectors:

- *Solidarity and Social Activities (including also welcoming and integrating migrants, inclusiveness of disadvantages workers by law, animal protection, etc.)*

### Third and Public Sector

Loans to finance companies partly State-owned (whose financial statements are included in the Government budget) and to the Third Sector (Associations, NGOs, Social enterprises, Social Cooperatives, Foundations etc.) dedicated to financing projects aiming at having a positive social impact on the society in the following sectors: Fair trade, and International cooperation for the sustainable development, human rights, and peace<sup>2728</sup>

- *Assisted living-related facilities such as community living for youths or senior homes*

### Third and Public Sector

Loans to finance companies partly State-owned (whose financial statements are included in the Government budget) and to the Third Sector (Associations, NGOs, Social enterprises, Social Cooperatives, Foundations etc.) dedicated to financing projects aiming at having a positive social impact on the society in the following sectors: Fair trade, and international cooperation for the sustainable development, human rights, and peace

- *Food banks and homeless shelter*

### Third and Public Sector

Loans to finance companies partly State-owned (whose financial statements are included in the Government budget) and to the Third Sector (Associations, NGOs, Social enterprises, Social

Contribution



Contribution



Contribution



<sup>27</sup> Regarding the Third Sector, this category is regulated by Art. 5 of the Italian legislation on the Third Sector. Under this category Banco BPM will only finance the following activities:

- assisted living-related facilities such as community living for youths or senior homes
- food banks, homeless shelter
- rehab facilities and or services for substance abuse and addiction treatment
- food security program that promote nutrition and food security

<sup>28</sup> Loans related to “international cooperation for the sustainable development, human rights and peace” are only provided to the Third Sector.

*Cooperatives, Foundations etc.) dedicated to financing projects aiming at having a positive social impact on the society in the following sectors: Fair trade, and international cooperation for the sustainable development, human rights, and peace*

- *Rehab facilities and or services for substance abuse and addiction treatment*

**Third and Public Sector**

*Loans to finance companies partly State-owned (whose financial statements are included in the Government budget) and to the Third Sector (Associations, NGOs, Social enterprises, Social Cooperatives, Foundations etc.) dedicated to financing projects aiming at having a positive social impact on the society in the following sectors: Fair trade, and international cooperation for the sustainable development, human rights, and peace*

- *Food security programs that promote nutrition and food security*

**Third and Public Sector**

*Loans to finance companies partly State-owned (whose financial statements are included in the Government budget) and to the Third Sector (Associations, NGOs, Social enterprises, Social Cooperatives, Foundations etc.) dedicated to financing projects aiming at having a positive social impact on the society in the following sectors:*

- *Fair Trade food products*

**Healthcare**

*Loans to finance the construction, development, maintenance or renovation of facilities that strengthen the capacity of free or subsidized healthcare, and early warning, risk reduction and management of health crises.*

*Target audience: aiming at benefitting to all*

**Sustainability-Linked Loans**

*Sustainability-Linked Loans to SMEs. Evaluation and monitoring guidelines require the following elements, amongst others:*

- *Choice of at least 2 KPIs (Key Performance Indicators) relevant to the*

**Contribution**



**Contribution**



**Contribution**



**Contribution**



*borrower and aimed at improving its ESG profile*

- *KPI(s) and Target(s) cannot be subject to modification after loans have been granted*
- *KPI(s) measure progress in E, S and G areas and the borrower is eligible for a discount on the interest margin in case the Target(s) have been reached*

*Borrowers have to report progress on the advancement of Target(s) in the notes of their financial statements on annual basis*

*Target audience: people working in SMEs to maintain jobs and create capacity for new jobs; aiming at benefitting to all*

**Residential Mortgages**

*Residential mortgages granted to disadvantaged people with government guarantee to help access to housing<sup>29</sup>*

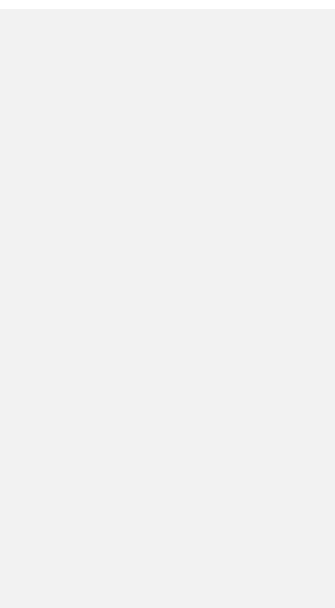
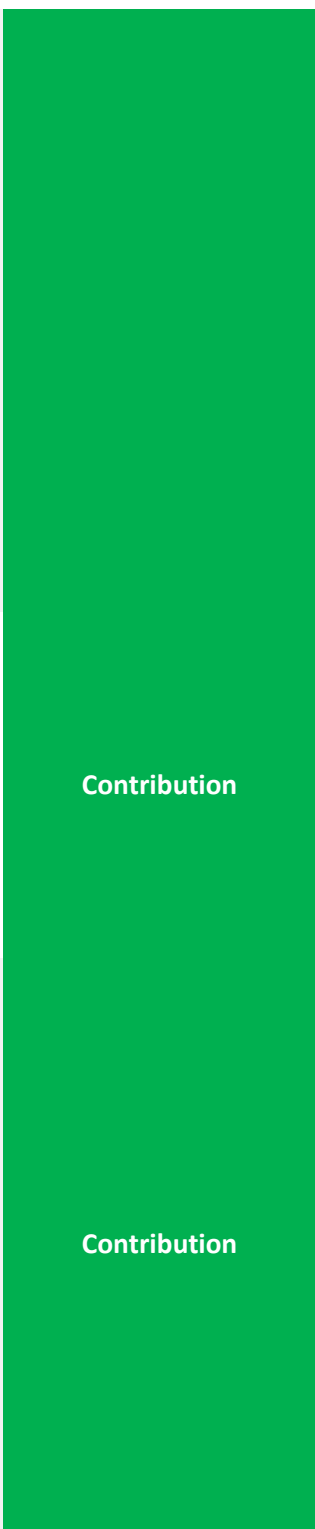
*Target audience: people with an ISEE under a certain threshold; people with age under 36 years; lone parent; people who live in a social house*

**Residential Mortgages**

*Residential mortgages granted to disadvantaged people with government guarantee to help access to housing<sup>30</sup>*

*The mortgages are under the 80% Public Guarantee of the First Home Mortgage Guarantee Fund ("Fondo Prima casa") administered by CONSAP (Concessionaria Servizi Assicurativi Pubblici): loans to first-time buyers with ISEE (Equivalent Economic Situation Indicator) of <€40K/year*

*Target audience: married couples (at least two years of marriage) with one of them with age under 36 years)*




<sup>29</sup> Consap Mortgages is based on a stated mechanism and include a level of revenue threshold for beneficiaries. More information is available on: <https://www.consap.it/fondo-prima-casa/>  
<sup>30</sup> Consap Mortgages is based on a stated mechanism and include a level of revenue threshold for beneficiaries. More information is available on: <https://www.consap.it/fondo-prima-casa/>

**2. Improvements of operational performance (processes)**

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer’s clients.

Banco BPM finances operations/processes in third-party sectors which are not listed in the Issuer’s Framework. As such, ISS ESG is not in a position to display the exposure to negative externalities linked to the sector of the operations/processes financed. Negative externalities, if present, could have an impact on the overall sustainability quality of the issuance.

The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT <sup>31</sup>	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Commercial &amp; Residential Green Buildings</b></p> <p><i>Renovation of existing buildings:</i></p> <ul style="list-style-type: none"> <li><i>The building renovation complies with the applicable requirements for major renovation. Alternatively, it leads to a reduction of primary energy demand (PED) of at least 30% within a maximum of 3 years in comparison to the energy performance of the building before the renovation</i></li> <li><i>Loans to finance the renovation of buildings if the renovation works produce the improvement of at least two energy classes, or a Global Non-renewable Energy Performance Index (EP<sub>gl</sub>, nren) at least 30% lower than that resulting from the pre-works EPC</i></li> </ul>	<p><b>Contribution</b></p>	

<sup>31</sup> Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

## B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA

The table below evaluates the Eligibility Criteria against issuance-specific KPIs. All assets are and will be located in Italy and Belgium.

### ASSESSMENT AGAINST KPIs

#### ESG guidelines into lending process

In 2022, Banco BPM has created an internal ESG Materiality Matrix, and Rating Model to continuously evaluate and monitor the sustainability profile of banking, credit, and insurance products it offers, including the ones under this Framework. To position the material topics within the matrix, Banco BPM engages with key stakeholders to assess the materiality analysis (from 1 - unimportant to 5 - strategic). What are known as 'first-pillar' risks (credit, market, operational and counterparty) is all considered material; the other risks are considered material by Banco BPM if, under both normal and adverse conditions, the ratio between the economic capital referred to a specific risk and the total financial resources available (AFR - total capital amount defined by the Bank adequate, in current and prospective terms, to deal with all quantifiable material risks (ICAAP) resulting from the risk identification process) is higher than 1%.

#### ESG Guidelines into financing process for the Agricultural sector under the Framework

The Bank will only finance and re-finance assets that have an organic certification (EU Organic, Bio, IFOAM, Proterra). The Bank covers all of the most relevant client-related sustainable management aspects for agricultural projects and related risks such as water resources, water contamination, soil erosion and fertility, responsible use of pesticides, herbicides, and fertilizers, alternatives to pesticides, herbicides, and fertilizers, crop rotation and crop residues.

However, Banco BPM does not have any specifically assessment for the environmental and social risk for agriculture projects.

#### Labor, Health and Safety

- ✓ As all assets financed will be located in Italy and Belgium, high health & safety and labor standards are ensured by the relevant national legislation and the European Union mandatory social standards. In 2020, the Bank has adopted ISO 45001 Occupational Health and Safety, ISO 50001 Energy Management, ISO 14001 Environmental Management certifications. In addition, it is certified for UNI ISO 45001:2018 for the Occupational Health and Safety Management System (OHSMS) for all employees and properties related to the Group's business.

#### Biodiversity

- ✓ All assets financed will be in Italy and Belgium. Thus, as per national law 221/2015, the Issuer ensures that its environmental impacts and impacts on the communities have been mitigated and reduced through ex ante and ex post assessments of the effects of public policies on Natural Capital and Ecosystem Services as it aligns to the European Union

standards in terms of Environmental and Social Impact Assessment. Moreover, the Bank follows an internal methodology to assess the environmental risks based on the severity of the industry sector of the client which involves data gathering and information collection for risk scoring on a 0-4 risk scale that considers agricultural certifications, mitigation processes and compensation measures implement for environmental protection, organic production, for agriculture, livestock farming and food production; involvement in activities for biodiversity; ecomanagement and audit scheme; green patents and Ecolabel.

### Community dialogue

- ✓ Banco BPM confirms that all assets are in Italy, an Equator Principles Designated country (countries deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment).

### Inclusion

- ✓ The Bank's Code of ethics prohibits discrimination and guarantee customers equal opportunities in accessing loans and banking services. The Bank's Code of ethics also states that it supports voluntary sector through providing dedicated services, financial products and assistance. Also, Activities financed under the category Third and Public Sector will be free to access or subsidized for the targeted vulnerable populations. Activities will also be carried out in partnership with charitable foundations, or non-profit organisations.

### Data protection and information security

- ✓ The Bank's safety system follows the ISO 27001 management standard and has a security management system that complies with European and Italian standards such as (PCI-DSS, SWIFT CSP). There is also an information security and privacy controls governance system in place with Data Governance and IT Security Manager, and IT Manager in place.

### Responsible treatment of customers with debt repayment problems

- ✓ The Bank states that it has implemented various measures to deal responsibly with clients having debt repayment problems, and for risks management. These include: assessment of creditworthiness and the risks of the loan granting process, and the clear distinction of the roles of loan proposer and decision-maker; credit risk assessment model and measurement metrics; verification of the customer's capacity to repay the debt; monitoring of credit and mediation initiatives to enable customers in temporary financial difficulty to meet their needs. In addition, Banco BPM states that it adopts special measures such as subsidized loans, amortization period, suspension of mortgage and loan repayments or provision of financing, using state funds, for reconstruction/rehabilitation of damaged property/assets or for tax payments in case of calamitous events and global emergencies, and provides finance initiatives to support SME and Mid-Cap companies for liquidity needs.

### Sales practices

- ✓ The Bank states that it has a training program advocating responsible sales practices to ensure products are only offered to clients' needs and do not allow the use of practices that are elusive, vexatious, or forcing clients' judgement or behavior. In addition, the Bank's Code of Ethics requires the employees to inform customers in a clear, transparent and comprehensive manner on the products and services they offered, and the relative conditions applied to protect their legitimate right to understand and facilitate informed financial decisions. Also, the Bank has monitoring systems in place such as mystery shopping and customer surveys to assess satisfaction on product. Also, there are monitoring and assessment of complaints after services provided.

### Responsible marketing

- ✓ The Bank states that it is commits to responsible marketing and informs customers in a clear, transparent, and comprehensive manner on the products and services that they offered. In that regard, Banco BPM has launched an initiative on client and has internal policies in place to ensure the clients are informed about the reasons for financial product rejection and the rate risk while choosing variable rate products. In addition, the Bank has committed to non-use of small print, display clear and correct pricing as well as to no hidden costs, and committed to inform customers about the reasons leading to rejection.

### Exclusion criteria

The Bank has a function in tackling Anti-Money Laundering and terrorist financing through an annual internal assessment. There are also due diligence and Know Your Customer Activities in preventing money laundering and terrorist financing.



## PART III: ALIGNMENT OF THE ELIGIBILITY CRITERIA WITH THE EU TAXONOMY CLIMATE DELEGATED ACT

The alignment of Banco BPM's project characteristics, due diligence processes and policies for the nominated Use of Proceeds project categories have been assessed against the relevant Climate Change Mitigation and Do No Significant Harm Criteria (DNSH) Technical Screening Criteria, and against the Minimum Safeguards requirements of the EU Taxonomy Climate Delegated Act<sup>32</sup> (June 2023), based on information provided by Banco BPM. Where Banco BPM's project characteristics, due diligence processes and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

Banco BPM's project selection criteria overlap with the following economic activities in the EU Taxonomy:

- 3.14 Manufacture of Organic Basic Chemicals
- 4.1 Electricity Generation Using Solar Photovoltaic Technology
- 4.3 Electricity Generation from Wind power
- 4.5 Electricity Generation from Hydropower
- 4.8 Electricity Generation from Bioenergy
- 7.1 Construction of New Buildings
- 7.2 Renovation of Existing Buildings
- 7.7 Acquisition and Ownership of Buildings

The alignment of eligibility criteria with the EU Taxonomy Climate Delegated Act is only conducted for assets located in Italy<sup>33</sup>.



Note: In order to avoid repetition, the evaluation of the alignment of Banco BPM's assets to the Do No Significant Harm Criteria (DNSH) to Climate Change Adaptation is provided in Section i). The evaluation of alignment to the DNSH to Water & Marine Resources is given in Section j), Evaluation of alignment to the DNSH on Pollution is given in Section k). Similarly, the evaluation of the alignment to the DNSH to Protection and Restoration of Biodiversity and Ecosystems is given in Section l).

Furthermore, this analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the following [link](#).

<sup>32</sup> Commission Delegated Regulation (EU) 2020/852, URL [https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts\\_en](https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en)

<sup>33</sup> The loans outside of Italy can be included in the future as taxonomy-aligned provided they undergo third-party verification. However, those assets are not included in the scope of this section and have not been verified by ICS.

a) 3.14 – Manufacture of organic basic chemicals

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>34</sup>	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</b>	
<p>The financing of Manufacture of organic basic chemicals activities in this Framework will meet the following requirements:</p> <p>Banco BPM has an internal screening and questionnaire process for the projects that will be financed as part of the due diligence process, where the borrower is required to give an answer regarding the requirements or technical due diligence of the project. Information needs to be provided include: Attestation of compliance with Directive 2018/2001-Legislative Decree No. 199 of November 2021, and Carbon footprint report (ISO 14067:2018 or ISO 14064-1:2018) or other reports certified in line with methodology set out by recommendation 2013/179/EU. Based on the assessment result and externally verified supporting documents, the Bank confirms that they will only finance the projects where:</p> <ul style="list-style-type: none"> <li>▪ GHG emissions from the organic basic chemicals production processes are lower than: (a) for HVC: 0,693 t CO<sub>2</sub>e/t of HVC; (b) for aromatics: 0,0072 t CO<sub>2</sub>e/t of complex weighted throughout; (c) for vinyl chloride: 0,171 t CO<sub>2</sub>e/t of vinyl chloride; (d) for styrene: 0,419 t CO<sub>2</sub>e/t of styrene; (e) for ethylene oxide/ethylene glycols: 0,314 t CO<sub>2</sub>e/t of ethylene oxide/glycol;(f) for adipic acid: 0,32 t CO<sub>2</sub>e/t of adipic acid.</li> <li>▪ Where the organic chemicals in scope are produced wholly or partially from renewable feedstock, the life-cycle GHG emissions of the manufactured chemical, manufactured wholly or partially from renewable feedstock, are lower than the life-cycle GHG emissions of the equivalent chemical manufactured from fossil fuel feedstock.</li> <li>▪ Life-cycle GHG emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018 or ISO 14064-1:2018. Quantified life-cycle GHG emissions are verified by an independent third party.</li> <li>▪ Agricultural biomass used for the manufacture of organic basic chemicals complies with the criteria laid down in Article 29, paragraphs 2 to 5 of Directive (EU) 2018/2001. Forest biomass used for the manufacture of organic basic chemicals complies with the criteria laid down in Article 29, paragraphs 6 and 7 of that Directive.</li> </ul> <p>The Issuer excludes non-compliant project from financing.</p>	
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See i)	

<sup>34</sup> This column is based on input provided by the Issuer.

<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
See j)	✓
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there are no EU Taxonomy criteria for the category	
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See k)	✓
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	
See l)	✓

*b) 4.1 – Electricity generation using solar photovoltaic technology*

<b>PROJECT CHARACTERISTICS AND SELECTION PROCESSES<sup>35</sup></b>	<b>ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA</b>
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</b>	
The activity generates electricity using solar PV technology, meeting the climate change mitigation technical screening criteria	✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See i)	✓
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there are no EU Taxonomy criteria for the category	
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
Banco BPM has an internal screening and questionnaire process for the projects that will be financed as part of the due diligence process, where the borrower is required to give an answer regarding the requirements or technical due diligence of the project.  Since all projects are located in Italy, they are compliant with national legislation and regulations, such as the fifth Conto Energia (DM 5 July 2012), which requires module manufacturers to guarantee the recycling of photovoltaic modules by joining a European system or Consortium. Additionally, Italy has transposed Directive 2012/19/EU on Waste Electrical and Electronic Equipment (WEEE) into national law. Italy's national law Attuazione della direttiva 2012/19/UE sui rifiuti di apparecchiature elettriche ed elettroniche (RAEE) outline the end-of-life management and treatment of	✓

<sup>35</sup> This column is based on input provided by the Issuer.




photovoltaic modules, and D.lgs n. 152/2006 also requires due diligence for future loans to certify financed economic activity reuses and uses secondary raw materials in products manufactured, including critical raw materials, and guaranteeing at the same time durability, recyclability, easy disassembly and adaptability of products manufactured.	
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there is no EU Taxonomy criteria for the category	
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	
See I)	✓

*c) 4.3 – Electricity generation from wind power*

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>36</sup>	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</b>	
The activity generates electricity from wind power, meeting the climate change mitigation technical screening criteria	✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See i)	✓
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: The financed projects are/will be only onshore wind	
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
See b)4	✓
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there is no EU Taxonomy criteria for the category	
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	
See L)	✓


<sup>36</sup> This column is based on input provided by the Issuer.

d) 4.5 – Electricity generation from hydropower


PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>37</sup>	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</b>	
<p>Banco BPM has an internal screening and questionnaire process for the projects that will be financed as part of the due diligence process, where the borrower is required to give an answer regarding the requirements or technical due diligence of the project. Based on the assessment result and externally verified supporting documents, the Bank confirms that they will only finance the projects where:</p> <ul style="list-style-type: none"> <li>▪ The electricity generation facility is a run-of-river plant and does not have an artificial reservoir</li> <li>▪ The power density of the electricity generation facility is above 5 W/m<sup>2</sup></li> <li>▪ The life-cycle GHG emissions from the generation of electricity from hydropower, are lower than 100g CO<sub>2</sub>e/kWh.</li> </ul> <p>The life-cycle GHG emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018, ISO 14064-1:2018 or the G-res tool. Quantified life-cycle GHG emissions are verified by an independent third party.</p> <p>The Issuer excludes non-compliant project from financing.</p>	
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See i)	
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>The activity complies with the provision of Directive 2000/60/EC and with all the requirements laid down in Article 4 of the Directive. Italy has transposed the EU Water Directive (2000/60/EC) in the Italian law Legislative Decree 3 April 2006, n.152 Environmental Regulations. Banco BPM also has in place a due diligence process on future assets for borrowers to give answers on the following requirements or technical due diligence of the project will include the confirmation of the following requirement. Based on the questionnaire results and externally verified supporting documents, the Bank will finance only the projects where the taxonomy criteria are compiled:</p> <ul style="list-style-type: none"> <li>▪ In accordance with Directive 2000/60/EC and in particular Articles 4 and 11 of that Directive, all technically feasible and ecologically relevant mitigation measures have been implemented to reduce adverse impacts on water as well as on protected habitats and species directly dependent on water.</li> </ul>	

<sup>37</sup> This column is based on input provided by the Issuer.

- Measures include, where relevant and depending on the ecosystems naturally present in the affected water bodies: measures to ensure downstream and upstream fish migration (such as fish friendly turbines, fish guidance structures, state-of-the-art fully functional fish passes, measures to stop or minimize operation and discharges during migration or spawning); measures to ensure minimum ecological flow (including mitigation of rapid, short-term variations in flow or hydro-peaking operations) and sediment flow; measures to protect or enhance habitats.
- The effectiveness of those measures is monitored in the context of the authorization or permit setting out the conditions aimed at achieving good status or potential of the affected water body.
- In accordance with Article 4 of Directive 2000/60/EC and in particular paragraph 7 of that Article, prior to construction, an impact assessment of the project is carried out to assess all its potential impacts on the status of water bodies within the same river basin and on protected habitats and species directly dependent on water, considering in particular migration corridors, free-flowing rivers or ecosystems close to undisturbed conditions. The assessment is based on recent, comprehensive and accurate data, including monitoring data on biological quality elements that are specifically sensitive to hydromorphological alterations, and on the expected status of the water body as a result of the new activities, as compared to its current one. It assesses in particular the cumulated impacts of this new project with other existing or planned infrastructure in the river basin.
- On the basis of that impact assessment, it has been established that the plant is conceived by design and location and by mitigation measures, so that it complies with one of the following requirements: the plant does not entail any deterioration nor compromises the achievement of good status or potential of the specific water body it relates to; where the plant risks to deteriorate or compromise the achievement of good status/potential of the specific water body it relates to, such deterioration is not significant, and is justified by a detailed cost-benefit assessment demonstrating both of the following: (i) the reasons of overriding public interest or the fact that benefits expected from the planned hydropower plant outweigh the costs from deteriorating the status of water that are accruing to the environment and to society; (ii) the fact that the overriding public interest or the benefits expected from the plant cannot, for reasons of technical feasibility or disproportionate cost, be achieved by alternative means that would lead to a better environmental outcome (such as refurbishing of existing hydropower plants or use of technologies not disrupting river continuity).
- All technically feasible and ecologically relevant mitigation measures are implemented to reduce adverse impacts on water as well as on protected habitats and species directly dependent on water. Mitigation measures include,

<p>where relevant and depending on the ecosystems naturally present in the affected water bodies:measures to ensure downstream and upstream fish migration (such as fish friendly turbines, fish guidance structures, state-of-the-art fully functional fish passes, measures to stop or minimise operation and discharges during migration or spawning);measures to ensure minimum ecological flow (including mitigation of rapid, short-term variations in flow or hydro-peaking operations) and sediment flow;measures to protect or enhance habitats.The effectiveness of those measures is monitored in the context of the authorisation or permit setting out the conditions aimed at achieving good status or potential of the affected water body. The plant does not permanently compromise the achievement of good status/potential in any of the water bodies in the same river basin district.</p> <ul style="list-style-type: none"> <li>▪ In addition to the mitigation measures referred to above, and where relevant, compensatory measures are implemented to ensure that the project does not increase the fragmentation of water bodies in the same river basin district. This is achieved by restoring continuity within the same river basin district to an extent that compensates the disruption of continuity, which the planned hydropower plant may cause. Compensation starts prior to the execution of the project.</li> </ul> <p>Banco BPM will report the compliance in their report annually through EU Taxonomy questionnaire responses.</p>	
<p><b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b></p>	
<p>N/A: there are no EU Taxonomy criteria for the category</p>	
<p><b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b></p>	
<p>N/A: there is no EU Taxonomy criteria for the category</p>	
<p><b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b></p>	
<p>See I)</p>	<p></p>

e) 4.8 – Electricity generation from bioenergy

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>38</sup>	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
<p>Banco BPM confirms that they will only finance the projects where:</p> <ul style="list-style-type: none"> <li>▪ Agricultural biomass used in the activity complies with the criteria laid down in Article 29, paragraphs 2 to 5, of Directive (EU) 2018/2001. Forest biomass used in the activity complies with the criteria laid down in Article 29, paragraphs 6 and 7 of that Directive.</li> <li>▪ The greenhouse gas emission (GHG) savings from the use of biomass are at least 80% in relation to the GHG saving methodology and the relative fossil fuel comparator set out in Annex VI to Directive (EU) 2018/2001.</li> <li>▪ Where the installations rely on anaerobic digestion of organic material, the production of the digestate meets the criteria in Sections 5.6 and criteria 1 and 2 of Section 5.7 of this Annex, as applicable.</li> <li>▪ Points 1 and 2 do not apply to electricity generation installations with a total rated thermal input below 2 MW and using gaseous biomass fuels.</li> <li>▪ For electricity generation installations with a total rated thermal input from 50 to 100 MW, the activity applies high-efficiency cogeneration technology, or, for electricity-only installations, the activity meets an energy efficiency level associated with the best available techniques (BAT-AEL) ranges set out in the latest relevant best available techniques (BAT) conclusions, including the best available techniques (BAT) conclusions for large combustion plants.</li> <li>▪ For electricity generation installations with a total rated thermal input above 100 MW, the activity complies with one or more of the following criteria: (i) Electrical efficiency of at least 36%, (ii) highly efficient CHP (combined heat and power) technology as referred to in Directive 2012/27/EU of the European Parliament and of the Council, (iii) uses carbon capture and storage technology. Where the CO<sub>2</sub> that would otherwise be emitted from the electricity generation process is captured for the purpose of underground storage, the CO<sub>2</sub> is transported and stored underground in accordance with the technical screening criteria set out in Sections 5.11 and 5.12, respectively, of Annex I.</li> </ul> <p>Banco BPM will conduct due diligence and questionnaire process on customers to ensure the financed projects fulfill the above requirements.</p>	

<sup>38</sup> This column is based on input provided by the Issuer.



<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See i)	✓
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
See j)	✓
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there are no EU Taxonomy criteria for the category	
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>The financing activities will meet the following criteria:</p> <ul style="list-style-type: none"> <li>▪ For installations falling within the scope of Directive 2010/75/EU of the European Parliament and of the Council, emissions are within or lower than the emission levels associated with the best available techniques (BAT-AEL) ranges set out in the latest relevant best available techniques (BAT) conclusions, including the best available techniques (BAT) conclusions for large combustion plants. No significant cross-media effects occur.</li> <li>▪ For combustion plants with thermal input greater than 1 MW but below the thresholds for the BAT conclusions for large combustion plants to apply, emissions are below the emission limit values set out in Annex II, part 2, to Directive (EU) 2015/2193.</li> <li>▪ For plants in zones or parts of zones not complying with the air quality limit values laid down in Directive 2008/50/EC, measures are implemented to reduce emission levels taking into account the results of the information exchange which are published by the Commission in accordance with Article 6, paragraphs 9 and 10, of Directive (EU) 2015/2193.</li> <li>▪ For anaerobic digestion of organic material, where the produced digestate is used as fertilizer or soil improver, either directly or after composting or any other treatment, it meets the requirements for fertilizing materials set out in Component Material Categories (CMC) 4 and 5 in Annex II to Regulation (EU) 2019/1009 or national rules on fertilizers or soil improvers for agricultural use.</li> <li>▪ For anaerobic digestion plants treating over 100 tons per day, emissions to air and water are within or lower than the emission levels associated with the best available techniques (BAT-AEL) ranges set for anaerobic treatment of waste in the latest relevant best available techniques (BAT) conclusions, including the best available techniques (BAT) conclusions for waste treatment. No significant cross-media effects occur.</li> </ul>	✓
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	
See l)	✓

f) 7.1 – Construction of new buildings

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>39</sup>	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</b>	
<p>Banco BPM confirms that the construction of new buildings will align with NZEB less 10% requirement. The Bank will be using both paths from CRIF, an external consultant, to identify thresholds depending on data available, and eligible assets will be selected using thresholds of Primary Energy Demand (PED). The Bank will also certify the energy performance of the buildings using an as built Energy Performance Certificate (EPC). For financed buildings that are larger than 5000m<sup>2</sup>, the Bank also has a technical due diligence process which requires borrowers' compliance with air-tightness and thermal integrity, and life-cycle Global Warming Potential (GWP) limits. The due diligence requires borrowers to show the results of those tests.</p>	✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See i)	✓
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>Banco BPM requires that as part of the financing process the Borrower at the start of the project provides information on whether the building complies with the specific water use requirements on the maximum flush volume and water flow rate of the wash hand basin taps and kitchen taps (6 liters/min), the showers (8 liters/min), the WCs (full flush volume of 6 liters and average flush volume of 3,5 liters), urinals (2 litres/bowl/hour), flushing urinals (1 liter), including the technical specifications for sanitary compliance.</p> <p>For commercial building constructions, Banco BPM will also require borrowers at the start of the projects to provide information on whether the building complies with specified water use for water appliance listed, and are technically appraised externally through product datasheets, and building certification or ecolabel.</p> <p>See j): Additionally, Banco BPM will identify and address the risks of environmental degradation related to the maintenance of water quality and the prevention of water scarcity in accordance with Annex B of the Delegated Regulation on EU taxonomy.</p>	✓
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
Banco BPM confirms that its lending due diligence will ensure all financed projects located in Italy are compliant to relevant EU and national regulations. Italy's waste regulation is compliant with the Directive of the European Parliament and of the	

<sup>39</sup> This column is based on input provided by the Issuer.

Council (EU) 2018/851 amending Directive 2008/98/EC on waste. The directive outlines that preparation for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, of nonhazardous construction and demolition waste excluding naturally occurring material defined in category 17 05 04 in the list of waste shall be increased to a minimum of 70 % by weight.

Banco BPM will collect the waste management plan of the construction project from borrowers to ensure:

- Operators limit waste generation in processes related construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste.
- The building designs and construction techniques will support circularity with reference to ISO 20887 or other standards for assessing the disassembly or adaptability of buildings, and how the buildings are designed to be more resource efficient, adaptable, flexible and dismantlable to enable reuse and recycling.



Banco BPM has also stated that the buildings financed have a high waste recovery rate (98% as of 2022).

**5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA**

Banco BPM states that financing building construction activities in Italy will comply with below European and national standards to mitigate noise, dust, and pollutant emissions during construction or maintenance works:

- EU Directive on Environmental Impact Assessment in accordance with Directive 2011/92/EU can be assumed to be transposed into national regulation
- EU Regulation 1907/2006 (Dec 2006) concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH),
- CEN/TS 16516:2013 Construction products -Assessment of release of dangerous substances - Determination of emissions into indoor air

Banco BPM has an internal screening and questionnaire process for the projects that will be financed as part of Green Financing due diligence process. Under the process, Banco BPM requires borrowers to provide waste management plan and construction site environmental plan. Based on the assessment result and externally verified supporting documents, the Bank confirms only financing projects with criteria below:

- Building components and materials used in the building renovation that may come into contact with occupiers will emit less than 0.001 mg of other categories 1A and 1B carcinogenic volatile organic compounds per m<sup>3</sup> of



material or component upon testing in accordance with CEN/EN 16516 or ISO 16000-3:2011 or other equivalent standardised test conditions and determination methods

- New construction located on a potentially contaminated site (brownfield site) will be subject to investigation for potential contaminants, such as using standard ISO 18400
- Measures will be taken to reduce noise, dust and pollutant emissions during construction or maintenance works

Banco BPM confirms that the non-compliant projects are excluded from financing based on the assessment result.

**6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA**

Banco BPM states that it will not finance companies or projects that have negative impact on: UNESCO World Heritage Sites, wetlands according to the Ramsar Convention 6, IUCN protected areas, categories I to VI. In addition, Banco BPM will abide to national and supranational regulations to mandate environmental impact assessment (EU Directive on EIA in accordance with Directive 2011/92/EU, and Legislative Decree 152/2006).

Banco Bpm has an internal screening and questionnaire process for the projects that will be financed as part of Green Financing due diligence process. Under the process, Banco BPM requires borrowers to provide construction site environmental plan. Based on the assessment result and externally verified supporting documents, the Bank confirms only financing projects with criteria below:

- Arable land and crop land with a moderate to high level of soil fertility and below ground biodiversity as referred to the EU LUCAS survey
- Greenfield land of recognized high biodiversity value and land that serves as habitat of endangered species (flora and fauna) listed on the European Red List or the IUCN Red List
- Land matching the definition of forest as set out in national law used in the national greenhouse gas inventory, or where not available, is in accordance with the FAO definition of forest

Banco BPM confirms that the non-compliant projects are excluded from financing based on the assessment result.





*g) 7.2 – Renovation of existing buildings*

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>40</sup>	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</b>	
<p>Banco BPM confirms that all financing projects within this framework will lead to a reduction of PED of at least 30%. Banco BPM has a process in place by which the customer has to provide the Bank with an EPC before work and another EPC after work has been finished in order to testify the reduction in primary energy demand (PED) &gt; 30%, or the upgrade of at least two EPC classes. The Bank will also have an external technical due diligence report for big renovation projects on both residential and commercial buildings when the renovation project finishes, and Energy Performance Certificate (EPC) will be granted.</p>	✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See i)	✓
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
See f)3.	✓
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
See f)4.	✓
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See f)5.	✓
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there is no EU Taxonomy criteria for the category	

<sup>40</sup> This column is based on input provided by the Issuer.

*h) 7.7- Acquisition and ownership of buildings*

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>41</sup>	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</b>	
<p>Banco BPM has shared that for buildings built before 31 December 2020 they will identify the top 15% PED of the national or regional building stock using the results of the analysis conducted by CRIF/CTI. For each Italian climate zone, CRIF/CTI have identified a threshold in terms of PED. Banco BPM selects only the buildings whose PED (as reported in EPC) is below the threshold set by CRIF/CTI<sup>42</sup>.</p> <p>For residential mortgages already allocated, Banco BPM used the 2021 Technical Report published by CRIF by which: where the residential buildings will achieve the sum of EPC labels A (including A4, A3, A2, A1), B and C proves to be below the set threshold at 15% or 98.3% of newly-built (built after 2016) properties present an EPC equal or better to the C class then are in the top 15% EPC.</p> <p>Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW), Banco BPM will ensure it is efficiently operated through energy performance monitoring and assessment via inspection and certification processes.</p> <p>For buildings built after 31 December 2020, Banco BPM requires its borrowers to comply with Section 7.1 of Annex that are relevant at the time of the acquisition. Banco BPM requires the borrower to confirm the PED is at least 10% lower than the threshold set for NZEB requirement. Both CRIF/CTI analysis and thresholds are used to derive a practical method to select compliant buildings.</p>	
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See i)	
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there are no EU Taxonomy criteria for the category	
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there are no EU Taxonomy criteria for the category	
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	

<sup>41</sup> This column is based on input provided by the Issuer.


<sup>42</sup> <https://energyefficientmortgages.eu/wp-content/uploads/2022/12/Percentage-distribution-of-primary-energy-Ep-values-in-the-Italian-national-building-stock-1.pdf>

N/A: there is no EU Taxonomy criteria for the category

**6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA**

N/A: there is no EU Taxonomy criteria for the category

*i) Generic Criteria for DNSH to Climate Change Adaptation*

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>43</sup>	ALIGNMENT WITH THE EU TAXONOMY
<b>1. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>Banco BPM conducted physical risks on relevant activities during 2021 and 2022, and classified them as caused by:</p> <ul style="list-style-type: none"> <li>▪ water, earth, temperature or wind</li> <li>▪ acute or chronic</li> <li>▪ measured directly or already captured indirectly by other physical risks</li> <li>▪ indirectly measured risks manifest their effects through directly measured ones, thus avoiding double counting.</li> </ul> <p>The risks identified belong to 26 of 28 categories from the list in Section II (of the delegate act).</p> <p>Moreover, Banco BPM has identified the main drivers are related to the location of the assets and the intensity of each risk on the Italian map. Banco Bpm disclosed that some of the climate and environmental risks are also relevant to some specific sectors which are both geographical and sectoral. Banco BPM used a 3 steps process to assign a score to the physical risk of the Bank’s activities: 1) Search the borrower’s latitude and longitude based on the address of the asset 2) Geo-locating the asset on the risk map by means of a GIS software 3) Risk scoring such an asset based on a risk scale from very low to very high. Overall, Banco BPM has a methodology to assess the physical climate risk, climate risk and vulnerability assessment to assess the materiality of the physical climate risks on the clients’ economic activity.</p> <p>To reduce the physical climate risk of the Bank, Cerved, a rating agency in Italy would draft an assessment of assets to guarantee loans. If the risk is classified as high then the Bank would ask the company to implement preventive actions such as 1) stipulation of an insurance contract 2) drafting of a business plan and 3) providing technical solution. Lastly, customers are required to submit information via a ESG questionnaire directly connected to Cerved database, to provide up to date information about the client risk profile.</p> <p>Currently, Banco BPM conducts materiality analysis in terms of concentration focuses on current physical risk that is the most relevant and foremost to be analysed, and next</p>	

<sup>43</sup> This column is based on input provided by the Issuer.

step will be to consider expected risk assessment in all time horizons. Banco BPM assess the current physical risk inclusion of scenarios in short, medium, and long term (10-30 years horizon). To ensure the climate risk and vulnerability assessment is performed on best practice, Banco BPM adopts the Network for Greening the Financial System (NGFS) which is based on the Intergovernmental Panel on Climate Change (IPCC) scenarios.

To reduce identified physical climate risks that are material to the physical asset over 5 years, Banco BPM urge clients to implement preventive actions such as stipulation of an insurance contract, drafting of a business plan, and technical solution.

To reduce most important identified physical climate risks, Banco BPM make sure that these assets do not become hazardous and ensure they do not exceed certain level of risks following the same process outlined above. The Issuer commits to incorporate adaptation solutions and will report on whether current and future assets will fully comply with the requirements in the annual reporting.

*j) Generic Criteria for DNSH to Water*

**PROJECT CHARACTERISTICS AND SELECTION PROCESSES<sup>44</sup>**

**ALIGNMENT  
WITH EU  
TAXONOMY**

**2. WATER – DO NO SIGNIFICANT HARM CRITERIA**

Banco BPM’s borrowers which are based in Italy are required to adhere to Legislative Decree, No. 172 of 13 October 2015 is a transposed version of EU Directive 2013/39/EC amending EU Directive 2000/60/EC, regarding priority substances in the field of water policy.

The matter of water protection involves both the state and the concurrent competences of the regions. Also, According to Law, 27 December 2017, No. 205 (the National plan for investments in the water sector), borrowers need to adhere to measures for protection of water.

The implementation of Directive 2013/39/EC, which amends Directive 2000/60/EC ensures that the requirements and objectives of the Water Framework Directive are incorporated into national legislation. If Banco BPM is aware that the environmental impact assessment does not exist for the borrowers, then the Bank will request it to integrate the loan as aligned with the taxonomy. The Legislative Decree Law No. 205 of 27 December 2017, also known as the National plan for investments in the water sector, outlines the strategic plan for investments in the water sector in Italy. It includes measures and initiatives to improve water resource management, infrastructure development, and water quality preservation, thereby aligning with the objectives of the Water Framework Directive. The Bank requires borrowers to adhere to measures for the purpose of planning and implementation of interventions necessary to mitigate the damage related to the drought phenomenon and to promote the strengthening and adaptation of water infrastructures, as well as to reduce the dispersion of water




<sup>44</sup> This column is based on input provided by the Issuer.



resources, normally updated every two years and divided into two sections: the 'reservoirs' section and the 'aqueducts' section. To fulfill the requirements of the Water Framework Directive and Directive 2000/60/EC, projects and activities in Italy need to comply with the provisions and measures outlined in the Italian legislative decrees. This includes the development and implementation of a water use and protection management plan, which should ensure sustainable and efficient water use while considering the preservation and enhancement of water resources and quality.


*k) Generic Criteria for DNSH on Pollution and Prevention Control*

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>45</sup>	ALIGNMENT WITH EU TAXONOMY
<b>2. POLLUTION AND PREVENTION CONTROL – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>Banco BPM's lending process requires borrowers to adhere to Italy's Legislative Decree, 13 August 2010, No. 155 (the Framework regulation on air pollution control), as amended by Legislative Decree 2012, No. 250, aimed at establishing and defining environmental air quality standards to avoid, prevent or reduce harmful effects on human health. This decree also identifies the authorities responsible for carrying out air quality assessments, as well as for drafting Restoration Plans in areas in which the limit values have been exceeded. The Decree fulfills the requirements of a) to g) as follows:</p> <ul style="list-style-type: none"> <li>▪ The Decree incorporates the provisions of the EU Persistent Organic Pollutants Regulation, including the listed substances in Annexes I or II of EU Persistent Organic Pollutants Regulation (2019), to control and reduce their emissions into the air.</li> <li>▪ The Decree aligns with the Regulation on Mercury (2017) by implementing measures to control and limit the emissions of mercury and mercury compounds into the air.</li> <li>▪ The Decree includes provisions that comply with the Regulation on substances that deplete the ozone layer (2009), specifically addressing the substances listed in Annexes I or II to prevent their release into the atmosphere.</li> <li>▪ The Decree incorporates the requirements in the Regulation on the restriction of hazardous substances in electrical and electronic equipment (2011), including the substances listed in Annex II, to control their emissions and ensure compliance in the relevant sectors.</li> <li>▪ The Decree adopts measures to comply with Annex XVII of the REACH Regulation (2006), which sets restrictions on the manufacture, placing on the</li> </ul>	

<sup>45</sup> This column is based on input provided by the Issuer.

<p>market, and use of certain substances, ensuring their controlled handling and emission reduction.</p> <ul style="list-style-type: none"> <li>▪ The Decree complies with the requirements of Article 57 and 59 of the REACH Regulation (2006) by identifying and regulating substances of very high concern (SVHC) based on their hazardous properties, unless their use is considered essential for society.</li> <li>▪ The Decree fulfills the obligations of Article 57 of the REACH Regulation (2006) by addressing the identification and control of substances of very high concern (SVHC), unless their use is deemed essential for society.</li> </ul>	
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*l) Generic Criteria for DNSH to Protection and Restoration of Biodiversity and Ecosystems*

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>46</sup>	ALIGNMENT WITH EU TAXONOMY
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>Banco BPM is committed not to finance companies or projects which have a negative impact on: Natura 2000 network of protected areas, UNESCO World Heritage Sites and Key Biodiversity Areas, as well as other protected areas. In addition, the Issuer confirms to abide to national and supranational regulations mandating environmental impact assessment:</p> <ul style="list-style-type: none"> <li>▪ for assets that will be located in Italy – the Consolidated Environmental Law (Legislative Decree 152/2006) regulates the following issues: <ul style="list-style-type: none"> <li>▪ procedures for strategic environmental assessments, environmental impact assessments, and integrated environmental authorizations,</li> <li>▪ protection of soil and the fight against desertification,</li> <li>▪ protection of water from pollution and the management of water resources,</li> <li>▪ waste management and remediation of contaminated sites,</li> <li>▪ protection of air and the reduction of emissions into the atmosphere, and compensation for environmental damages.</li> </ul> </li> </ul> <p>Although the Consolidated Environmental Law does not directly align with Directive 2011/92/EC, it covers the requirements and provisions of the Directive for assessing environmental impacts, including both the Strategic Environmental Assessments (SEA) and Environmental Impact Assessments (EIA). These assessments consider the potential environmental effects of plans, programs, and projects prior to approval.</p>	

<sup>46</sup> This column is based on input provided by the Issuer.


In addition, for assets that will be located in Italy, an Environmental Impact Assessment is mandatory whenever the projects are likely to have significant effects on the environment.

Banco BPM also acknowledged that the National Law 221/2015 fulfills the requirement of conducting appropriate assessments in accordance with Directives 2009/147/EC (Birds directive) and 92/43/EEC (habitat directive) regarding projects near biodiversity-sensitive and protected areas. The law has also established the adoption of Annual Reports to promote measure of physical and economic dimensions of Natural Capital stocks and flows, following the methodologies defined by the United Nations Organization and the European Union, in addition to the ex-ante and ex post assessment of the effects of public policies on Natural Capital and Ecosystem Services.

For future assets, if Banco BPM is aware that required mitigation and compensation measures is not clearly properly put in place, the Bank will ask the borrower to give an answer regarding the requirements or conduct a Technical Due Diligence to confirm if a sensitive biodiversity areas assessment with related mitigation measures are defined and implemented in accordance with Directive 92/43/CEE (Habitat directive) and Directive 2009/147/CE (Birds directive).

### Minimum Safeguards

The alignment of the project characteristics and selection processes in place with the EU Taxonomy Minimum Safeguards as described in Article 18 of the Taxonomy Regulation<sup>47</sup> have been assessed. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>48</sup>	ALIGNMENT WITH THE EU TAXONOMY REQUIREMENT
<p>Banco BPM commits to sustaining the OECD Guidelines and the anti-corruption principles in the Code of Ethics. The Bank also recognizes Principles established by the fundamental conventions of ILO and has published a Guidelines on Respecting and Safeguarding Human Rights<sup>49</sup>. As all the assets will be located in Italy, the ILO Core Conventions are ratified.</p> <p>To cease, prevent, mitigate, and remediate adverse impacts that could take place as a result of its lending/financing, Banco BPM asks the customer to fill in a ESG questionnaire where he has to answer a yes/no question on: 1. if it has pending litigations or failed lawsuits on HR violations regarding employees. If the answer is "yes" the client will have a downgrade of his score in the evaluation process. 2. if it has policies and strategies for the respect of HR according to international standards and if he adopts policies which allow warning on HR abuses. The ESG questionnaire is also reviewed annually.</p> <p>Banco BPM further requests customers to provide information on whether they have an internal policy commitment in place to respect human rights and a well-defined due diligence process that is appropriate to the complexity of their business and aligns with the "OECD Guidelines for Multinational Enterprises" to ensure compliance with responsible business conduct practices as defined in the Guidelines. Banco BPM also requests the customer to provide UN Guiding Internal policies documents on human and labour rights on a voluntary basis. Internal checks are conducting to verify the existence of controversies on social, environmental or governance issues on its clients during the granting process and during the life of projects. In case of serious controversies, Banco BPM refuses the financing of the customers.</p> <p>Banco BPM has an ESG questionnaire in place to identify and assess adverse impact. The ESG questionnaire consists of questions catered to specific sectors of the borrowers. In 2023, the questionnaire has included questions related to green transition pathway of the borrower's company and questions to mitigate physical risk. The questionnaire also has questions concerning employee health and safety, human</p>	

<sup>47</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

<sup>48</sup> This column is based on input provided by the Issuer.

<sup>49</sup> Banco BPM, Guidelines on Respecting and Safeguarding Human Rights, 16 May 2023, [https://gruppo.bancobpm.it/media/Guidelines\\_regarding\\_human\\_rights\\_160523.pdf](https://gruppo.bancobpm.it/media/Guidelines_regarding_human_rights_160523.pdf)

rights, corruption, cybersecurity, and anti-money laundering topics. In case of affirmative answer to this question, Banco BPM does not allow the granting of the loan.

Banco BPM prevents and mitigates adverse impacts through providing over 3700 hours of workshops and training sessions to borrowers and non-borrowers to raise awareness on ESG topics. Moreover, this education will be complemented in the future by the ESG Factory, a support initiative for qualified partners on their sustainability goals, ecological transition and impact on their business, social inclusion and governance.

To track and implement results undertaken by the borrowers, Banco BPM will conduct ESG questionnaire on clients, and the questionnaire will be reviewed annually to track improvement in risk assessment and mitigation processes. In addition, the Bank will report annually on the performance achieved in safeguarding human rights in the scope of management and monitoring methods, identified risks, results of assessment activities, and management and mitigation actions in public documents available on the company's website.

Banco BPM will also disclose how impacts are addressed through publishing figures related to complaints against the Bank including data such as number of complaints received, complaints processed and the processing times.

Lastly, Banco BPM uses a treatment complain system and a violation reporting system for responsible management of relationship, give access to report any violation or misconduct which are afterwards investigated by the Audit Department.

## PART IV: LINKING THE TRANSACTIONS TO BANCO BPM'S ESG PROFILE

### A. CONSISTENCY OF GREEN, SOCIAL AND SUSTAINABILITY BONDS WITH BANCO BPM'S SUSTAINABILITY STRATEGY

#### *Key sustainability objectives and priorities defined by the Issuer*

In 2021, Banco BPM reviewed its sustainability strategy aiming to cover a larger scope and involve all of the Group's units. In particular, the seven action areas were initiated as part of the ESG Program:

- **Governance & Controls:** Integrating ESG-oriented roles and responsibilities into all activities; Integrating ESG issues into corporate policies
- **Risk & Credit:** Integrating ESG factors into risk management and credit granting processes
- **People:** Promotion to Diversity & Inclusion, with a focus on women's empowerment; Strengthening ESG training programs
- **Corporate and SME:** Strengthening commercial products to support clients' green transition; Strengthening client engagement on ESG issues
- **Wealth management, finance and products:** Define ESG investment policies; Strengthening ESG investment advice, product offerings and ESG funding
- **Environment:** Managing and reducing direct environmental impacts
- **Stakeholders' engagement & Measurement:** Strengthening relations with international organizations; Development and disclosure of ESG impact measurement metrics

For all the priorities of the Strategic Plan 2021-2024, Banco BPM defined specific sustainability objectives and activities, as well as a period of relevance of the objectives. Moreover, those objectives are quantified. For its 4-year budget plan (2021-2024), Banco BPM allocates €4 billion for green residential mortgages, 400K hours on training for employees on ESG issues, over €700 million to the third sector and € 10 million as donations to social and environmental projects. This plan is estimated to increase the share of women in managerial position and the share of new hires of young people respectively by 30% and 90% by 2024. Moreover, it has set both short and long-term targets for reducing emissions. By 2024, Banco BPM aims to cut the total direct and indirect energy consumption by 20%. By the end of 2024, they will be further reduced by 20% and by 30% by 2030. Further, Banco BPM aims to cut down by 21% up and downstream scope 3 emissions from its indirect commuting emissions. To reach its 2024 ambitions, Banco BPM confirms to be fully powered since 2020 by certified renewable energy for electricity use.

To guide the Issuer's net zero transition, Banco BPM has an Environmental, Social and Governance (ESG) Managerial Committee chaired by the Chief Executive Officer, consisting of two Joint General Managers among its permanent members. The Sustainability Structure assists the ESG Committee, oversees definition, and monitors sustainability indicators. The Sustainability Committee supervises sustainability issues and goals, in coordination with the Internal Control and Risks Committee. Ultimately, ESG guidelines and performance targets are drawn up by the Board of Directors, thereafter, approved by the Shareholders. The Board of Directors is also responsible for approving the ESG Regulation and the Code of Ethics, while the approval of Guidelines, including on sustainability, is part of the CEO's decisions.

In 2021, Banco BPM has joined the UN Global Compact Initiative and the Task Force on Climate-Related Financial Disclosure (TCFD). In addition, as of March 2023, the Bank is also part of the Net-Zero Banking Alliance, an initiative supported by the UNEP FI and linked to the Principles for Responsible Banking (PRB).

Banco BPM has issued several Sustainable Finance Instruments under its Green, Social and Sustainability Bonds Framework, such as €500 million to finance SMEs' Covid loans in 2021, €750 million covered bond to finance green buildings in 2022 and further €2,5 billion green bonds between 2022 and 2023 to finance green buildings and renewable projects, amounting to a total of €3.25 billion of Green Bonds issuance. Further €300 million green bond have been issued as private placement for the financing of green projects.

### *Rationale for issuance*

Corresponding to this sustainable business model, Banco BPM established an equivalent funding strategy in 2019 to reach the 2024 targets.

By focusing on transition to a sustainable economy, diversity and inclusion, people's well-being, and achieving carbon neutrality by reducing consumption and CO2 emissions, the project categories are in line with the areas of action in which the interventions envisaged by the seven fields of the ESG Program are distributed.

In line with its environmental and social commitments, Banco BPM issued in July 2021 a social bond for €500 million to finance SMEs' Covid loans. In March, the Bank 2022 issued a green covered bond for € 750 million to finance green buildings. The investments led to +7.44% employees in Regions with GDP below average and over 22,000t in carbon dioxide avoided emissions per year.

In September and November 2022, Banco BPM issued two green bonds of €500 million each to finance a portfolio of green loans originated by the Bank for the purchase of energy-efficient homes and a portfolio of loans disbursed for the construction and maintenance of plants for the production of electricity from renewable sources. In January and June 2023 Banco BPM issued two green bonds of €750 million each to finance and/or re-finance eligible green loans, as defined within the Issuer's Green, Social and Sustainability Bonds Framework.

This Green Bond Framework forms the basis for future Green Bonds issues of Banco BPM and contributes to climate change mitigation.

**Opinion:** *The key sustainability objectives and the rationale for issuing Green, Social, and Sustainability Bonds are clearly described by the Issuer. All project categories financed are in line with the sustainability objectives of the Issuer.*

## B. BANCO BPM'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

### *ESG risks associated with the Issuer's industry*

The Issuer is classified in the Commercial Banks & Capital Markets, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Business ethics
Labor standards and working conditions
Sustainability impacts of lending and other financial services/ products
Customer and product responsibility
Sustainable investment criteria

### *ESG performance of the Issuer*

Leveraging ISS ESG's Corporate Rating research, further information about the Issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part III.A of the report.

### *Sustainability impact of products and services portfolio*

Using a proprietary methodology, ISS ESG assessed the contribution of Banco BPM's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the company's production process.

ISS ESG determined that, based on the information provided by the company, its overall business model has no net impact (contribution and/or obstruction) to the UN SDGs.

### *Breaches of international norms and ESG controversies*

#### At Issuer level

At the date of publication and leveraging ISS ESG Research, no severe controversy in which the Issuer would be involved has been identified.



*At industry level*

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Commercial Banks & Capital Markets industry are as follows: Business ethics, Labor standards and working conditions, and Sustainability impacts of lending and other financial services/ products.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

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## ANNEX 1: Methodology

The ICS SPO provides an assessment of labelled transactions against international standards using ICS proprietary methodology. For more information, please visit:

<https://www.issgovernance.com/file/publications/SPO-Use-of-Proceeds-Bonds-and-Loans.pdf>

### EU Taxonomy

The assessment evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Green, Social, and Sustainability Bonds Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2023).

The evaluation shows if Banco BPM's project categories are indicatively in line with the entirety (or some of) the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided on a confidential basis by Banco BPM (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the Issuer.

## ANNEX 2: ISS ESG Corporate Rating Methodology

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.

For more information, please visit:

<https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

## ANNEX 3: Quality management processes

### SCOPE

Banco BPM commissioned ICS to compile a Green, Social and Sustainability Bonds SPO. The Second Party Opinion process includes verifying whether the Green, Social and Sustainability Bonds Framework aligns with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines (June 2021 with June 2022 Appendix 1) and to assess the sustainability credentials of its Green, Social and Sustainability Bonds, as well as the Issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
- Social Bond Principles (SBP), as administered by the International Capital Market Association (ICMA) (as of June 2023)
- Sustainability Bond Guidelines, as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
- EU Taxonomy Climate Delegated Act (as of June 2023)

### ISSUER'S RESPONSIBILITY

Banco BPM's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the project category level

### ICS' VERIFICATION PROCESS

Since 2014, ISS Group, of which ICS is part, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Green, Social and Sustainability Bonds to be issued by Banco BPM has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines (June 2021 with June 2022 Appendix 1).

The engagement with Banco BPM took place from May to November 2023.

### ICS' BUSINESS PRACTICES

ICS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## About this SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For more information on SPO services, please contact: [SPOsales@isscorporatesolutions.com](mailto:SPOsales@isscorporatesolutions.com)

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